

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

FEBRUARY 25, 1920

Compiled February 20, 1920

WITH the financial markets reflecting the accumulated burdens of the last five years, with security values quoted on the established exchanges readjusting to higher money rates, and with foreign exchange sinking to unprecedented levels, it is not surprising that the tone of the replies to inquiries concerning business conditions in the Middle West should reflect more or less apprehension of a period of business depression. This is particularly noticeable in the advices from the producing centers in the Seventh Federal Reserve District, although there is indicated a continuation of activity in practically all lines of industry. Buying power, so greatly increased during and subsequent to the war period, is still manifesting itself as an offset against the depressing influences at work in the money market.

European Competition Considered

THERE appears to be a well defined impression throughout the District and the Middle West that this country has developed sufficient buying power independent of foreign markets, to absorb our production other than the essentials which Europe must take. The one feature, however, which does not seem to have been reckoned with was the possibility of European countries taking advantage of the international exchange situation and becoming competitors with their products in our own markets and underselling the American manufacturer. A specific instance of this is a large chain manufacturer, who found it advantageous to import chain of English make and sell it to his customers, rather than to manufacture chain in his own plant.

Necessarily this, if it becomes general, will tend to lower prices, and if continued for any considerable length of time, would curtail manufacturing operations in this country. It is the apprehension of this that is manifesting itself in the business world and forcing consideration of fundamental factors to a greater extent than at any time since the great problems of winning the war absorbed attention.

Furthermore, the speculative element is now viewing the existing conditions from a somewhat different angle and is displaying less antagonism to the market course than was in evidence when the discount rate was first announced. The raising of discount rate by the Federal Reserve Banks, however, up to this writing has not had any appreciable effect in the Seventh District in restricting the demand for credit.

Labor Restless and Spendthrift

THUS far the effect of the change in the business attitude during the last month has not reached the wage earner, who continues to spend his money lavishly. At the same time labor is scarce and restive, while housing of employees is still a difficult problem. There is some evidence of a disposition on the part of labor to note the trend of developments and to conjecture as to their meaning. Manufacturers are embarrassed by the difficulty in getting materials and this has thrown them somewhat behind their schedules in production.

Favorable Crop Prospects

THE crop outlook, however, is favorable, although wheat has deteriorated considerably during the winter months and the Hessian fly is reported at work. The farm demand is for labor saving machinery. This in turn is stimulating the manufacture of agricultural implements. These stocks are now accumulating in preparation for the 1920 distribution season which opens within the next two months. Collections are good, and the general situation in the agricultural world is regarded as satisfactory.

Weather conditions as a rule have been favorable throughout the States comprising the Seventh Federal Reserve District. There has been experienced extremely cold weather but this has not continued for a long time. From some sections discouraging reports have been received concerning the winter wheat. Several counties in Illinois indicate that the early sowing of wheat has been more or less damaged by the fly, while other sections of Illinois, Indiana and Iowa complain that the ice and sleet have damaged both the wheat and grass, but this does not seem to be very far reaching and is not regarded as alarming at this time. Selling conditions all through the agricultural sections, with the exception of northern Indiana, have been good, the volume of merchandise being moved equal to that of last year.

Livestock Receipts Decline

RECEIPTS of livestock at the principal markets during January showed a decrease of 19 per cent compared with the corresponding month of last year. Calves and sheep totals increased and decreased respectively one per cent. Prices for cattle, beef and mutton declined in January compared with a year ago, while sheep and young lamb increased in price. There was a falling off of 15 per cent in hog receipts and a decrease in price of live hogs. Cash lard advanced somewhat but ribs receded substantially.

Hides recently have been quite inactive, at steady prices, with a tendency toward reduction. The leather business, however, has been active, with January showing a large volume of orders. Export business has been adversely affected by the exchange situation. Manufacturers, however, are behind in filling orders and have been handicapped by a scarcity of unskilled labor.

Conservative Buying the Rule

THERE is increased caution, noticeable since February 1, in the placing of orders. One banker refers to the placing of orders by merchants 50 to 100 per cent higher than required, in expectation of a cut in delivery as was experienced last year. This, of course, would indicate an inflated demand which might prove misleading to manufacturers if this has been the practice to any considerable extent. Conservatism, however, is the rule.

Lumber in a State of Doubt

LUMBER sales have been in good volume in the Chicago market thus far this year, owing to building activities. Elsewhere in the District, however, builders are weighing their urgent needs against the extremely high prices effective, and this will be a factor in determining the extent of the resumption of building activity.

Steel and Iron Output Inadequate

INSUFFICIENT production is the feature of the steel market. The steel companies are sold up far in advance and production has been seriously retarded by fuel and transportation shortage. Prices continue firm with an upward tendency. Specialists in pig iron and coke report that the extraordinary activity in the last half of January wound up with moderate sales of pig iron in the early part of February. The moderation is attributable to some furnaces having withdrawn from the market. Coke still remains very scarce owing to the inadequate car supply.

Mercantile Stocks at Low Ebb

WHOLESALE merchants and jobbers report that the notable decline in foreign exchange in the New York market so far has had little if any influence on the attitude of the retail merchants toward present business or future prospects. The belief is that shelf stocks are low and several jobbers report the largest bookings in the history of their business, and while several comment on the tightening of credit, they fail to reveal any apprehension of decrease in orders for 1920 delivery.

Clothing Prices Firm or Higher

PRICES in wearing apparel lines are holding or advancing. This also applies to furriers, jewelry and merchandise in general. Production in these various lines has been very much curtailed owing to the 40 hour week which prevails in most of these activities. The difficulty in handling labor is resulting in manufacturers not getting the results that the shorter hours should entitle them to, consequently they are not inclined to commit themselves very far into the future.

Luxury Lines a Little Quieter

THERE is a distinct note of conservatism in the watch and jewelry business, which is one of the most sensitive of industries, and while the demand is said to be good, there is an inclination on the part of retailers to move cautiously, and an indication that labor is not so extravagant in its demands. The demand for automobiles continues to exceed the supply required for delivery to the prospective spring customers. Plant capacity, however, cannot be reached owing to the shortage of material, fuel and labor, while the inadequate supply of freight cars is also holding up shipments. Labor in this industry is fairly well satisfied, and since it is a cash business collections need no attention.

The Shortage of Farm Labor

ONE factor in the farming situation, which is also giving the merchant some concern, is the increased discouragement on account of the inability to secure competent help on the farm, and the prospects for the future. Several dairy farms in Indiana have ceased operation, according to advices, and if this shortage of farm help continues it will result in a diminished agricultural production and especially cattle feeding. An instance of this is reported from an Indiana farm where five men were employed last year, four of them for the full year. All of these men have left the farm and are employed in Indianapolis factories, at wages and hours that a farmer cannot offer.

An Evil Effect of Land Gambling

ONE development in connection with the activity and speculation in land is that insurance companies which have been lending freely in Iowa either have raised their rates or temporarily retired from the loaning field. The result of this and other developments has caused considerable congestion in the farm loan business.

Banking Conditions

MONEY is in strong demand, both in the country and city. Corn is being held for higher prices and this has kept the usual January and February money out of bank deposits. Nevertheless deposits, particularly savings, have increased. The banks are accumulating funds for March 1 settlements.

Loans to the grain and milling trade are still at the peak. On account of the car situation grain has not moved as freely as is usual at this time of the year, but the Railroad Administration is making every effort to expedite shipments, and loans should be materially reduced when relief is obtained in this direction.

There are very few cattle loans coming in now. Spring paper is expected to be on the market in another month or six weeks. The indications are that packers have tied up considerable money in consignments and credits on the other side and will go rather slowly in making any further foreign commitments. The foreign demand is expected to be light owing to the unfavorable foreign exchange situation, and packers are likely to find their principal outlet in the domestic market. This may tend to make the livestock market drag, and to lower prices.

Movement of Credit Active

THE movement of credit reflected in the aggregate debits to individual account, continues to indicate great activity, the total debits as of February 11, reported by 180 banks in 22 leading clearing house centers, including Chicago, being \$1,019,080,000, which is \$151,395,000 less than the corresponding week of the previous month, and \$89,578,000 greater than for the first week of February a year ago.

SELECTED MEMBER BANK STATISTICS—SEVENTH DISTRICT (000's omitted)

	Chicago 50 Member Banks			Detroit 12 Member Banks			Other 45 Member Banks		
	Feb. 14, 1919	Jan. 16, 1920	Feb. 13, 1920	Feb. 14, 1919	Jan. 16, 1920	Feb. 13, 1920	Feb. 14, 1919	Jan. 16, 1920	Feb. 13, 1920
Total U. S. Securities owned.....	\$147,548	\$99,732	\$80,449	\$70,973	\$86,136	\$84,854	\$86,920	\$59,107	\$60,500
Loans—(exclusive of rediscount)									
Secured by U. S. war obligations.	\$62,180			\$9,799			\$13,347		
(a) Liberty Bonds.....		51,498	51,155		8,712	9,902		13,933	13,729
(b) Victory notes.....		13,967	14,062		3,045	3,091		2,680	2,760
(c) Certificates of indebtedness.....		1,868	1,669		868	792		297	304
Loans secured by stocks and bonds other than U. S. securities		388,269	384,940		51,053	57,405		47,144	56,076
All other loans and investments (exclusive of rediscounts)	*\$47,786	819,645	850,880	*247,765	291,060	302,763	*277,414	301,129	308,817
Reserve Balance with Federal Reserve Banks.....	109,207	145,080	138,845	22,010	30,391	29,312	28,066	31,797	31,312
Cash in Vault.....	39,227	38,916	38,097	12,375	14,812	16,416	13,982	14,794	16,008
Deposits—									
Net Demand.....	799,410	1,003,732	985,018	161,620	222,920	226,053	220,751	242,147	261,105
Time.....	157,450	262,732	267,156	161,445	199,740	207,010	91,348	110,328	111,445
Government.....	39,054	18,477	12,121	11,833	15,230	7,382	8,950	6,128	4,853

*Gross.

†Figures for Feb. 14, 1919, were from 44 Chicago banks and 44 banks outside of Chicago and Detroit.

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO (000's omitted)

	Receipts				Shipments			
	December 1919	January 1918	December 1920	January 1919	December 1919	January 1918	December 1920	January 1919
Flour, barrels.....	1,145	1,057	1,144	622	783	706	802	412
Wheat, bushels.....	2,095	7,137	1,814	3,552	2,466	7,736	3,590	2,535
Corn, bushels.....	7,457	5,439	8,124	7,958	3,367	3,274	3,903	3,183
Oats, bushels.....	5,620	12,472	7,297	6,606	4,991	9,436	5,776	5,975
Cured Meats, pounds.....	11,585	13,166	10,547	13,798	114,055	118,071	130,472	127,331
Fresh Meats, pounds.....	97,904	137,515	103,459	118,143	294,410	250,336	277,562	243,880
Lard, pounds.....	14,087	12,959	20,757	17,835	57,677	52,864	72,477	51,249
Cheese, pounds.....	12,190	10,334	11,601	11,493	14,453	5,480	21	4,123
Butter, pounds.....	15,704	14,544	17,267	17,513	18,577	19,041	23,495	20,593
Eggs, cases.....	48	85	58	48	219	205	173	148
Potatoes, bushels.....	1,177	1,494	1,132	1,490	303	321	313	595
Hides, pounds.....	17,088	17,186	18,007	18,872	28,683	40,347	23,720	24,736
Lumber, thousand feet.....	226	163	203	134	79	60	71	47

RECEIPTS OF LIVE STOCK AT CHICAGO, COMPARED

	Cattle	Calves	Hogs	Sheep
1920.....	301,424	62,837	835,271	266,319
1919.....	271,162	46,889	853,826	340,929
	10,262	15,948	*18,555	*74,610

*Decrease

BUILDING PERMITS OF SEVENTH FEDERAL RESERVE DISTRICT CITIES

	—January, 1920—		—January, 1919—			
	No. of Permits	Estimated Cost	No. of Permits	Estimated Cost	Per Cent Gain	Per Cent Lost
Illinois						
Aurora	8	\$ 110,200	13	\$ 10,750	925	-----
Chicago	328	7,682,000	99	1,630,350	371	-----
Decatur	13	73,900	8	28,800	156	-----
Peoria	21	159,750	11	37,200	329	-----
Rockford	26	252,780	-----	-----	-----	-----
Indiana						
Fort Wayne	22	119,080	19	22,625	426	-----
Hammond	-----	30,800	-----	18,500	66	-----
Indianapolis	275	1,375,205	298	219,215	527	-----
Richmond	3	17,250	12	23,650	-----	27
South Bend	161	84,135	22	25,254	233	-----
Terre Haute	18	31,260	32	27,501	13	-----
Iowa						
Cedar Rapids	11	47,000	10	24,000	95	-----
Davenport	35	98,325	12	2,655	3603	-----
Des Moines	47	352,800	43	122,800	188	-----
Dubuque	2	5,000	9	49,550	-----	69
Mason City	5	13,755	2	3,000	-----	-----
Ottumwa	19	20,000	10	6,000	233	-----
Sioux City	58	179,640	23	116,700	53	-----
Michigan						
Bay City	8	37,400	7	3,890	861	-----
Detroit	686	5,658,830	343	1,065,735	430	-----
Flint	156	852,965	-----	-----	-----	-----
Grand Rapids	69	523,777	51	32,081	1532	-----
Jackson	10	25,331	22	18,485	-----	-----
Kalamazoo	12	38,800	6	23,200	67	-----
Lansing	23	49,035	17	35,305	38	-----
Saginaw	44	52,415	29	564,430	-----	90
Wisconsin						
Kenosha	64	47,875	40	22,791	110	-----
Madison	20	64,040	2	1,250	5023	-----
Milwaukee	193	983,367	79	145,640	575	-----
Sheboygan	17	14,028	10	3,049	360	-----

BUILDING STATISTICS FOR THE MONTH OF JANUARY, 1920

(Which cover Illinois, Indiana, Iowa, Michigan, Wisconsin and portions of Missouri and Eastern Kansas, and include all of Chicago district.)

	Contemplated Projects		No. of Projects	Contracts Awarded	
	No. of Projects	Valuation		New Floor Space Sq. ft.	Valuation
Business Buildings	524	\$24,845,100	270	3,026,100	\$16,923,700
Educational Buildings	162	13,270,000	29	517,500	2,048,400
Hospitals and Institutions	44	5,545,000	-----	237,200	1,450,000
Industrial Buildings	412	47,615,400	190	5,112,600	17,309,000
Military and Naval Buildings	5	8,075,000	2	5,000	35,000
Public Buildings	34	1,745,500	15	87,900	519,400
Public Work and Public Utilities	658	40,141,498	124	-----	7,772,400
Religious and Memorial Buildings	57	4,970,500	12	167,000	740,000
Residential Buildings	13	36,605,900	537	3,033,900	12,870,400
Social and Recreational Buildings	124	9,357,000	16	421,000	1,755,000
Miscellaneous	3	55,000	-----	-----	-----
Total	3,036	\$190,325,898	1,204		\$61,423,300

CONTRACTS AWARDED IN JANUARY

1920	\$61,423,000	1916	\$22,230,000	1912	\$ 6,243,000
1919	13,710,000	1915	13,342,500	1911	26,154,000
1918	15,458,000	1914	17,913,000	1910	10,272,395
1917	28,619,000	1913	12,180,000		

BUILDING STATISTICS FOR THE MONTH OF JANUARY, 1920

ALL DISTRICTS

(States north of the Ohio and east of the Missouri rivers.)

	Contemplated Projects		No. of Projects	Contracts Awarded	
	No. of Projects	Valuation		New Floor Space Sq. ft.	Valuation
Business Buildings	1,552	\$73,081,100	815	7,397,400	\$34,726,300
Educational Buildings	374	33,514,500	86	2,451,300	11,030,300
Hospitals and Institutions	91	7,004,000	30	290,800	2,048,300
Industrial Buildings	1,076	120,509,500	624	19,580,400	91,711,700
Military and Naval Buildings	26	21,875,500	11	5,000	2,747,600
Public Buildings	95	5,545,300	33	153,500	365,500
Public Works and Public Utilities	1,085	109,047,798	304	-----	37,695,550
Religious and Memorial Buildings	196	11,377,200	40	294,400	1,584,000
Residential Buildings	3,160	113,586,225	1,954	11,775,500	47,727,425
Social and Recreational Buildings	312	27,334,500	76	1,177,300	5,608,500
Miscellaneous	6	63,000	1	-----	5,000
Total	7,973	\$522,938,623	3,974		\$235,848,175

CONTRACTS AWARDED IN JANUARY

1920	\$235,848,000	1916	\$62,784,500	1912	\$ 38,910,000
1919	50,731,000	1915	43,257,000	1911	66,892,000
1918	152,065,000	1914	51,102,000	1910	39,005,395
1917	90,849,000	1913	62,810,500		

(Building statistics compiled by the F. W. Dodge Co.)